

FILE COPY

Audited Financial Statements And
Other Financial Information

Town of Kennebunkport, Maine

June 30, 2007



Proven Expertise and Integrity

TOWN OF KENNEBUNKPORT, MAINE

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JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

August 18, 2007

Board of Selectmen
Town of Kennebunkport, Maine
Kennebunkport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunkport, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

RAQ Smith & Co.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Kennebunkport, Maine's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2007. Please read it in conjunction with the Town's financial statements.

1. Brief Discussion of the Basic Financial Statements

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting* which is similar to the accounting, used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or *financial position*. Over time, increases or decreases in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities - Most of the Town's basic services are reported here, including police, fire, public works and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Sewer, Pier, and Parking Lot funds are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Selectmen establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from federal and / or state agencies).

The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* - When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

2. Condensed Financial Information

The Town As A Whole

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental activities increased by \$351,144 from \$14.1 million to \$14.5 million. For the business-type activities the Town's total net assets decreased by \$5,754 from 11.56 million to 11.55 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for the governmental activities by \$169,140 to a balance of \$3,830,108 at the end of the fiscal year. For the business-type activities, the unrestricted net assets increased by \$175,207 to a balance of \$3,301,650.

Table 1
Town of Kennebunkport, Maine
Net Assets
June 30,

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Assets:				
Current and other assets	\$ 6,401,903	\$ 6,806,273	\$ 4,015,028	\$ 3,630,216
Capital Assets	9,407,103	9,279,106	9,915,502	10,345,911
Total Assets	<u>\$ 15,809,006</u>	<u>\$ 16,085,379</u>	<u>\$ 13,930,530</u>	<u>\$ 13,976,127</u>
Liabilities:				
Current Liabilities	\$ 523,266	\$ 1,052,231	\$ 933,383	\$ 738,221
Long-term Debt Outstanding	833,923	932,475	1,447,824	1,682,829
Total Liabilities	<u>\$ 1,357,189</u>	<u>\$ 1,984,706</u>	<u>\$ 2,381,207</u>	<u>\$ 2,421,050</u>
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 8,637,838	\$ 8,414,196	\$ 8,232,673	\$ 8,428,634
Restricted: General Fund	188,532	303,453	-	-
Special Revenue Fund	148,314	145,115	-	-
Capital Projects Fund	351,627	347,091	-	-
Trust Funds	1,295,399	1,229,851	-	-
Dock Square Parking	-	-	15,000	-
Other Net Assets	3,830,108	3,660,968	3,301,650	3,126,443
Total Net Assets	<u>\$ 14,451,817</u>	<u>\$ 14,100,673</u>	<u>\$ 11,549,323</u>	<u>\$ 11,555,077</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 5%, while total expenses increased by 9.92%. For the business-type activities revenues decreased by 22.47%, while total expenses increased by 11.22

Table 2
Town of Kennebunkport, Maine
Change in Net Assets
Year ended June 30,

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues				
Taxes				
Property	\$ 11,174,635	\$ 11,281,162	\$ -	\$ -
Excise	901,323	875,074	-	-
Intergovernmental	276,147	328,395	-	-
Charges for services	515,421	409,708	1,536,748	2,083,728
Other revenues	502,588	1,177,183	247,587	201,854
Transfers in (net)	76,886	83,409	(76,886)	(83,409)
Total Revenue	<u>13,447,000</u>	<u>14,154,931</u>	<u>1,707,449</u>	<u>2,202,173</u>
Expenses				
Current:				
General government	859,138	1,063,712	-	-
Public safety	1,670,564	1,615,419	-	-
Health and welfare	574,896	519,187	-	-
Public works	858,086	(206,146)	-	-
Recreation	332,066	311,713	-	-
Education	7,225,123	7,593,771	-	-
County tax	749,856	759,218	-	-
Outside agencies	5,970	5,850	-	-
Unclassified	35,847	31,703	1,415,656	1,248,662
Unallocated depreciation	29,925	29,099	-	-
Capital outlay	411,228	96,455	-	-
Special projects	312,247	76,126	-	-
Interest expense	30,910	18,094	66,605	84,070
Total Expenses	<u>13,095,856</u>	<u>11,914,201</u>	<u>1,482,261</u>	<u>1,332,732</u>
Change in Net Assets	351,144	2,240,731	225,188	869,441
Net Assets - July 1	<u>14,100,673</u>	<u>11,859,942</u>	<u>11,555,077</u>	<u>10,685,636</u>
Restatement of Net Assets	-	-	(230,942)	-
Net Assets - June 30	<u>\$ 14,451,817</u>	<u>\$ 14,100,673</u>	<u>\$ 11,549,323</u>	<u>\$ 11,555,077</u>

The cost of all governmental activities for the year ending June 30, 2007 was \$13.1 million compared to 11.9 million last year. However, as shown in the Statement of Activities on page 11 and 12, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$12.5 million because some of the cost was paid by those who directly benefited from the programs (\$515,421) or by other governments and organizations that subsidized certain programs with grants and contributions (\$52,356).

Debt

At June 30, 2007, the Town had \$2,411,424 in bonds outstanding versus \$2,713,277 last year, a decrease of 11 percent, as shown in Note 6 of the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain governmental operations for a period of two to three months, while also maintaining significant reserve accounts for future capital and program needs. The Town also has significant activity in the reserve / capital projects accounts.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at P.O. Box 566, Kennebunkport, Maine 04046.

STATEMENT A

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,156,515	\$ 28,205	\$ 1,184,720
Investments	4,496,707	3,261,918	7,758,625
Accounts receivable (net allowance for uncollectibles):			
Taxes	7,700	-	7,700
Liens	114,695	5,450	120,145
Other	21,403	626,438	647,841
Tax acquired property	33,999	-	33,999
Inventory	7,076	10,194	17,270
Due from other funds	563,808	82,823	646,631
Total current assets	<u>6,401,903</u>	<u>4,015,028</u>	<u>10,416,931</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	3,067,115	7,305,629	10,372,744
Buildings and vehicles net of accumulated depreciation	6,339,988	2,609,873	8,949,861
Total noncurrent assets	<u>9,407,103</u>	<u>9,915,502</u>	<u>19,322,605</u>
Total assets	<u>\$ 15,809,006</u>	<u>\$ 13,930,530</u>	<u>\$ 29,739,536</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 170,828	\$ 27,898	\$ 198,726
Accrued expenses	-	9,713	9,713
Accrued Payroll	53,908	-	53,908
Prepaid taxes	12,607	3	12,610
Deferred revenue	-	96,956	96,956
Due to other funds	82,823	563,808	646,631
Due to other governments	12,520	-	12,520
Other liabilities	90,399	-	90,399
Current portion of long-term obligations	100,181	235,005	335,186
Total current liabilities	<u>523,266</u>	<u>933,383</u>	<u>1,456,649</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	658,645	1,447,824	2,106,469
Capital lease payable	10,439	-	10,439
Accrued compensated absences	164,839	-	164,839
Total noncurrent liabilities	<u>833,923</u>	<u>1,447,824</u>	<u>2,281,747</u>
Total liabilities	<u>1,357,189</u>	<u>2,381,207</u>	<u>3,738,396</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,637,838	8,232,673	16,870,511
Restricted: General Fund	188,532	-	188,532
Special Revenue Fund	148,314	-	148,314
Capital Projects Fund	351,627	-	351,627
Trust Funds	1,295,399	-	1,295,399
Dock Square Parking Lot	-	15,000	15,000
Unrestricted	3,830,108	3,301,650	7,131,758
Total net assets	<u>14,451,817</u>	<u>11,549,323</u>	<u>26,001,140</u>
Total liabilities and net assets	<u>\$ 15,809,006</u>	<u>\$ 13,930,530</u>	<u>\$ 29,739,536</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Reimbursements / Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business type Activities
	Expenses				Total Government
Governmental activities					
General government	\$ 859,138	\$ 276,306	\$ -	\$ (582,832)	\$ (582,832)
Public safety	1,670,564	37,659	-	(1,632,905)	(1,632,905)
Health and welfare	574,896	7,595	-	(567,301)	(567,301)
Public works	858,086	100	52,356	(805,630)	(805,630)
Recreation	332,066	134,567	-	(197,499)	(197,499)
Education	7,225,123	-	-	(7,225,123)	(7,225,123)
County tax	749,856	-	-	(749,856)	(749,856)
Outside agencies	5,970	-	-	(5,970)	(5,970)
Unclassified	35,847	59,194	-	23,347	23,347
Unallocated depreciation	29,925	-	-	(29,925)	(29,925)
Capital outlay	411,228	-	-	(411,228)	(411,228)
Special projects	312,247	-	-	(312,247)	(312,247)
Interest expense	30,910	-	-	(30,910)	(30,910)
Total governmental activities	13,095,856	515,421	-	(12,528,079)	(12,528,079)
Business-type activities:					
Cape Porpoise Pier	263,973	235,926	-	-	(28,047)
Dock Square Parking Lot	45,054	277,382	-	-	232,328
Sewer Fund	1,173,234	1,045,943	-	-	(127,291)
Total business-type activities	1,482,261	1,559,251	-	-	76,990
Total government and business-type	14,578,117	2,074,672	-	(12,528,079)	(12,451,089)

STATEMENT B (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>(12,528,079)</u>	<u>76,990</u>	<u>(12,451,089)</u>
General revenue:			
Taxes:			
Property taxes, levied for general purposes	11,174,635	-	11,174,635
Excise taxes, levied for general purposes	901,323	-	901,323
Grants and contributions not restricted to specific programs	223,791	-	223,791
Investment income	273,078	165,068	438,146
Other income	229,510	44,280	273,790
Bond Proceeds	-	15,736	15,736
Total general revenue and transfers	<u>12,802,337</u>	<u>225,084</u>	<u>13,027,421</u>
Change in net assets	274,258	302,074	576,332
Transfers	76,886	(76,886)	-
Net assets - July 1	<u>14,100,673</u>	<u>11,555,077</u>	<u>25,655,750</u>
Restatement of Net assets	-	(230,942)	(230,942)
Net assets - June 30	<u>\$ 14,451,817</u>	<u>\$ 11,549,323</u>	<u>\$ 26,001,140</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Nonmajor Funds	Totals Governmental Funds
ASSETS			
Cash	\$ 447,827	\$ 708,688	\$ 1,156,515
Investments	3,901,090	595,617	4,496,707
Receivables (net of allowance for			
Taxes	7,700	-	7,700
Liens	114,695	-	114,695
Due from other governments	-	-	-
Other	21,403	-	21,403
Inventory	7,076	-	7,076
Tax acquired property	33,999	-	33,999
Due from other funds	691,896	504,834	1,196,730
Total assets	<u>\$ 5,225,686</u>	<u>\$ 1,809,139</u>	<u>\$ 7,034,825</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 165,780	\$ 5,048	\$ 170,828
Accrued expenses	-	-	-
Accrued Payroll	53,908	-	53,908
Prepaid taxes	12,607	-	12,607
Due to other funds	587,657	128,088	715,745
Due to other governments	12,520	-	12,520
Deferred tax revenues	131,124	-	131,124
Other liabilities	90,399	-	90,399
Total liabilities	<u>1,053,995</u>	<u>133,136</u>	<u>1,187,131</u>
Fund Equity			
Reserved for endowments	-	-	-
Unreserved, reported in:			
General Fund			
Designated	188,532	-	188,532
Undesignated	3,983,159	-	3,983,159
Special Revenue Fund			
Designated	-	148,314	148,314
Undesignated	-	(114,801)	(114,801)
Capital Project Fund			
Designated	-	351,627	351,627
Undesignated	-	(4,536)	(4,536)
Permanent Funds	-	1,295,399	1,295,399
Total fund equity	<u>4,171,691</u>	<u>1,676,003</u>	<u>5,847,694</u>
Total liabilities and fund equity	<u>\$ 5,225,686</u>	<u>\$ 1,809,139</u>	<u>\$ 7,034,825</u>

STATEMENT C (CONTINUED)
TOWN OF KENNEBUNKPORT, MAINE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 5,847,694
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<u>9,407,103</u>
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	<u>131,124</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(728,595)
Capital lease payable	(40,670)
Accrued compensated absences	<u>(164,839)</u>
Net assets of governmental activities	<u><u>\$ 14,451,817</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT D

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Nonmajor Funds	Totals Governmental Funds
REVENUES			
Property taxes	\$ 11,178,211	\$ -	\$ 11,178,211
Excise taxes	901,323	-	901,323
Intergovernmental	276,147	-	276,147
Charges for services	515,421	-	515,421
Other revenues	385,167	117,421	502,588
TOTAL REVENUES	<u>13,256,269</u>	<u>117,421</u>	<u>13,373,690</u>
EXPENDITURES			
Current			
General government	1,084,555	-	1,084,555
Public safety	1,706,098	-	1,706,098
Health and welfare	574,896	-	574,896
Public works	756,379	-	756,379
Recreation	333,176	-	333,176
Education	7,225,123	-	7,225,123
County tax	749,856	-	749,856
Outside agencies	5,970	-	5,970
Unclassified	35,847	-	35,847
Capital outlay	411,228	-	411,228
Special projects	151,254	160,993	312,247
Debt service			
Principal	91,584	-	91,584
Interest	30,910	-	30,910
TOTAL EXPENDITURES	<u>13,156,876</u>	<u>160,993</u>	<u>13,317,869</u>
EXCESS REVENUES OVER (UNDER) EXPEDITURES	<u>99,393</u>	<u>(43,572)</u>	<u>55,821</u>
OTHER FINANCING SOURCES			
Transfers in	260,000	-	260,000
Transfers out	(180,632)	(2,482)	(183,114)
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,368</u>	<u>(2,482)</u>	<u>76,886</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>178,761</u>	<u>(46,054)</u>	<u>132,707</u>
FUND BALANCES - JULY 1	<u>3,992,930</u>	<u>1,722,057</u>	<u>5,714,987</u>
FUND BALANCES - JUNE 30	<u>\$ 4,171,691</u>	<u>\$ 1,676,003</u>	<u>\$ 5,847,694</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (Statement D)	\$ 132,707
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized (net)	419,736
Capital assets disposed	(102,412)
Depreciation expense	(189,327)
	<u>127,997</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(3,576)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>-</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>95,645</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(1,629)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ 351,144</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
BALANCE SHEET - ENTERPRISE FUND
JUNE 30, 2007

	Sewer Department	Nonmajor Funds	Totals
ASSETS			
Current assets			
Cash	\$ 27,905	\$ 300	\$ 28,205
Investments	3,261,918	-	3,261,918
Accounts receivable	588,193	38,245	626,438
Liens	5,450	-	5,450
Inventory	-	10,194	10,194
Due from other funds	-	82,823	82,823
Total current assets	<u>3,883,466</u>	<u>131,562</u>	<u>4,015,028</u>
Noncurrent assets			
Non depreciable assets	495,781	1,337,278	1,833,059
Buildings, building and land improvements	5,472,570	-	5,472,570
Vehicles and equipment	2,579,965	115,535	2,695,500
Infrastructure	7,703,811	2,428	7,706,239
Total capital assets	<u>16,252,127</u>	<u>1,455,241</u>	<u>17,707,368</u>
Less: accumulated depreciation	<u>(7,388,544)</u>	<u>(403,322)</u>	<u>(7,791,866)</u>
Net capital assets	<u>8,863,583</u>	<u>1,051,919</u>	<u>9,915,502</u>
Total assets	<u>\$ 12,747,049</u>	<u>\$ 1,183,481</u>	<u>\$ 13,930,530</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 18,317	\$ 9,581	\$ 27,898
Prepaid Taxes	3	-	3
Wages payable	7,297	2,416	9,713
Deferred revenue	96,956	-	96,956
Current portion of long-term obligations	235,005	-	235,005
Due to other funds	563,808	-	563,808
Total current liabilities	<u>921,386</u>	<u>11,997</u>	<u>933,383</u>
Noncurrent liabilities			
Bonds payable	<u>1,447,824</u>	<u>-</u>	<u>1,447,824</u>
Total Noncurrent Liabilities	<u>1,447,824</u>	<u>-</u>	<u>1,447,824</u>
Total liabilities	<u>2,369,210</u>	<u>11,997</u>	<u>2,381,207</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,180,754	1,051,919	8,232,673
Restricted	-	15,000	15,000
Unrestricted	3,197,085	104,565	3,301,650
Total net assets	<u>10,377,839</u>	<u>1,171,484</u>	<u>11,549,323</u>
Total liabilities and net assets	<u>\$ 12,747,049</u>	<u>\$ 1,183,481</u>	<u>\$ 13,930,530</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT G

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE FUND
YEAR ENDED JUNE 30, 2007

	Sewer Department	Total Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES			
Lease income	\$ -	\$ 22,503	\$ 22,503
Fuel sales	-	178,119	178,119
Fees	1,045,943	312,686	1,358,629
Other income	6,010	38,270	44,280
Total operating revenues	<u>1,051,953</u>	<u>551,578</u>	<u>1,603,531</u>
OPERATING EXPENSES			
Salaries / wages	327,648	70,533	398,181
Payroll taxes / benefits	120,399	14,911	135,310
Depreciation / amortization	426,231	29,924	456,155
Cost of fuel	7,515	164,741	172,256
Supplies	70,228	4,973	75,201
Repairs / maintenance	16,756	3,753	20,509
Insurance	21,212	6,200	27,412
Telephone / utilities	103,486	9,883	113,369
Contracted services	10,247	-	10,247
Other operating expenses	2,907	4,109	7,016
Total operating expenses	<u>1,106,629</u>	<u>309,027</u>	<u>1,415,656</u>
Operating income (loss)	<u>(54,676)</u>	<u>242,551</u>	<u>187,875</u>
NON-OPERATING INCOME (EXPENSE)			
Bond Proceeds	15,736	-	15,736
Operating transfers in	180,632	2,482	183,114
Operating transfers (out)	(25,000)	(235,000)	(260,000)
Interest income	165,068	-	165,068
Interest expense	(66,605)	-	(66,605)
Total non-operating income (expense)	<u>269,831</u>	<u>(232,518)</u>	<u>21,577</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	<u>215,155</u>	<u>10,033</u>	<u>225,188</u>
NET ASSETS - JULY 1	<u>10,393,626</u>	<u>1,161,451</u>	<u>11,555,077</u>
RESTATEMENT OF NET ASSETS	<u>(230,942)</u>	<u>-</u>	<u>(230,942)</u>
NET ASSETS - JUNE 30	<u>\$ 10,377,839</u>	<u>\$ 1,171,484</u>	<u>\$ 11,549,323</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT H

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF CASH FLOWS -ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2007

	Sewer Department	Nonmajor Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 929,018	\$ 490,234	\$ 1,419,252
Internal activity - receipts (payments) from/to other funds	-	-	-
Other receipts	6,010	34,355	40,365
Payments to suppliers and employees	(493,761)	(271,135)	(764,896)
Net cash provide by operating activities	<u>441,267</u>	<u>253,454</u>	<u>694,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(238,857)	(20,736)	(259,593)
Invested cash	(221,249)	-	(221,249)
Bond Proceeds	15,736	-	15,736
Interest expense	(66,605)	-	(66,605)
Investment income	165,068	-	165,068
Net cash used by investing activities	<u>(345,907)</u>	<u>(20,736)</u>	<u>(366,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on bonds	(234,448)	-	(234,448)
Other internal due to / from activity	-	-	-
Operating transfers	155,632	(232,518)	(76,886)
Net cash used by financing activities	<u>(78,816)</u>	<u>(232,518)</u>	<u>(311,334)</u>
NET INCREASE (DECREASE) IN CASH	16,544	200	16,744
CASH - JULY 1	<u>11,361</u>	<u>100</u>	<u>11,461</u>
CASH - JUNE 30	<u>\$ 27,905</u>	<u>\$ 300</u>	<u>\$ 28,205</u>
RECOILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (54,676)	\$ 242,551	\$ 187,875
Adjustmets to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation & amortization expense	426,231	29,924	456,155
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(116,064)	(29,916)	(145,980)
(Increase) decrease in due from other funds	-	2,194	2,194
(Increase) decrease in inventory	-	733	733
(Increase) decrease in leins	(861)	-	(861)
(Decrease) increase in accounts payable	11,693	7,683	19,376
(Decrease) increase in Prepaid Taxes	(47)	-	(47)
(Decrease) increase in accrued expenses	517	285	802
(Decrease) increase in deferred revenue	(65,421)	-	(65,421)
(Decrease) increase in due to other funds	239,895	-	239,895
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 441,267</u>	<u>\$ 253,454</u>	<u>\$ 694,721</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Kennebunkport conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June of 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements focusing on the major funds. These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Principles Determining Scope of Reporting Entity

The financial statements of the Town consist only of the funds of the Town of Kennebunkport, Maine.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Sewer, Pier and Parking Lot funds are categorized as a business-type activities. All other activities of the Town are categorized as governmental.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

This government-wide focus reflects the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- d. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the trust funds consider all purchased government securities to be held on to for up to three months or less when purchased, to be cash equivalents.

Investments

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. However, the special revenue fund inventory is valued at the lower of cost (first in, first out) or market value.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on July 13, 2006 on the assessed value listed as of April 1, 2006, for all taxable real and personal property located in the Town. Taxes were due on September 8, 2006 and March 9, 2007. Interest on unpaid taxes commenced on September 9, 2006, and March 10, 2007, at 11% per annum.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Kennebunkport utilizes encumbrance accounting for its general fund. Since there were no outstanding encumbrances at the Town for the year ended June 30, 2007, no reservation of fund balance was recorded.

Budget

The Town of Kennebunkport's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the basic financial statements.

1. Late in the prior fiscal year the Town prepared a budget for the year beginning July 1. The operating budget included proposed expenditures and the means of financing them.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the inhabitants of the Town of Kennebunkport was then called for the purpose of adopting the proposed budget after public notice of the meeting had been given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. No supplemental budgetary appropriations were necessary during the fiscal year

NOTE 2 - CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

In 2003, the Town undertook a program to record its investment property, plant and equipment. An inventory of all existing assets with a useful life of more than five years and a value of greater than \$5,000 was taken. The assets were valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The Town has elected to implement both the general provisions of GASB Statement No. 34.

Buildings	20-50 years
Infrastructure	50-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2007</u>
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 2,422,600	\$ -	\$ -	\$ 2,422,600
Art works & historical treasures	45,000	-	-	45,000
Construction in progress	599,815	-	(300)	599,515
	<u>3,067,415</u>	<u>-</u>	<u>(300)</u>	<u>3,067,115</u>
Depreciated assets				
Land improvements	158,495	31,947	-	190,442
Buildings	1,410,929	10,735	-	1,421,664
Building improvements	482,983	-	-	482,983
Furniture & fixtures	47,258	-	-	47,258
Machinery & equipment	1,729,504	82,504	(49,900)	1,762,108
Vehicles	2,379,290	41,321	(52,212)	2,368,399
Infrastructure	2,624,880	253,229	-	2,878,109
	<u>8,833,339</u>	<u>419,736</u>	<u>(102,112)</u>	<u>9,150,963</u>
Less: accumulated depreciation	<u>(2,621,648)</u>	<u>(342,335)</u>	<u>153,008</u>	<u>(2,810,975)</u>
	<u>6,211,691</u>	<u>77,401</u>	<u>50,896</u>	<u>6,339,988</u>
Net capital assets	<u>\$ 9,279,106</u>	<u>\$ 77,401</u>	<u>\$ 50,596</u>	<u>\$ 9,407,103</u>
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ 942,300	\$ -	\$ -	\$ 942,300
Construction in progress	293,911	-	(217,830)	76,081
	<u>1,236,211</u>	<u>-</u>	<u>(217,830)</u>	<u>1,018,381</u>
Depreciated assets:				
Land improvements	29,600	-	-	29,600
Buildings and improvements	6,257,648	-	-	6,257,648
Machinery & equipment	2,537,823	104,441	(21,400)	2,620,864
Vehicles	74,636	-	-	74,636
Infrastructure	7,567,104	139,135	-	7,706,239
	<u>16,466,811</u>	<u>243,576</u>	<u>(21,400)</u>	<u>16,688,987</u>
Less: accumulated depreciation	<u>(7,357,111)</u>	<u>(456,155)</u>	<u>21,400</u>	<u>(7,791,866)</u>
	<u>9,109,700</u>	<u>(212,579)</u>	<u>-</u>	<u>8,897,121</u>
Net capital assets	<u>\$ 10,345,911</u>	<u>\$ (212,579)</u>	<u>\$ (217,830)</u>	<u>\$ 9,915,502</u>
Total	<u>\$ 19,625,017</u>	<u>\$ (135,178)</u>	<u>\$ (167,234)</u>	<u>\$ 19,322,605</u>
<u>Current year depreciation:</u>				
Administration				\$ 17,263
Police				52,910
Fire				110,193
Highway				122,143
Public health				882
Parks & recreation				9,901
Pier				28,708
Sewer				426,231
Dock square parking lot				1,216
Town-wide				29,043
Total depreciation expenses				<u>\$ 798,490</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

NOTE 3 - CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2007, the Town's deposits amounting to \$5,229,801 were comprised of \$5,229,801 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$0 that was in excess of federal depository insurance, and therefore, not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 611,512
Savings	3,897,881
Money Market	32,203
Certificate of Deposit	688,206
	<u>\$ 5,229,801</u>

At June 30, 2007, all of the Town's investments amounting to \$3,857,535 were collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>
Certificates of deposit	\$ 3,288,675
Open-ended mutual funds	<u>568,859</u>
Total Investments	<u>\$ 3,857,535</u>

NOTE 4 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Town has determined that the allowance account is \$0. All receivables are collected, put to lien or abated.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2007 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
GENERAL FUND:		
Special Revenue Fund:		
Conservation	\$ -	\$ 13,729
Piers, Rivers & Harbors	-	117,549
Landfill Closure	-	20,686
349th Anniversary	-	1,243
RHS Plan	114,801	-
	<u>114,801</u>	<u>153,207</u>
Capital Projects Fund:		
General Capital Projects	-	342,673
30 North Street	-	2,072
Port Village Fire Station	-	4,295
Town Office	-	2,587
Glen Creek/Lord's Bridge	-	-
Cape Poier Building Renovations	4,536	-
	<u>4,536</u>	<u>351,627</u>
Trust Fund:		
Kittredge Fire Equipment	-	-
Clifford Seavey Fund	8	-
Macomber	8,743	-
	<u>8,751</u>	<u>-</u>
Enterprise Fund:		
Sewer	563,808	-
Cape Porpoise Pier	-	44,910
Dock Square Parking Lot	-	37,913
	<u>563,808</u>	<u>82,823</u>
Total General Fund	<u>\$ 691,896</u>	<u>\$ 587,657</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	Receivables (Due from)	Payables (Due to)
SPECIAL REVENUE FUNDS		
General Fund:		
Conservation	\$ 13,729	\$ -
Piers, Rivers & Harbors	117,549	-
Landfill Closure	20,686	-
350th Anniversary	1,243	-
RHS Plan	-	114,801
	<u>\$ 153,207</u>	<u>\$ 114,801</u>
CAPITAL PROJECTS FUND:		
General Fund:		
General capital projects	\$ 342,673	\$ -
30 North Street	2,072	-
Port Village Fire Station	4,295	-
Town Office	2,587	-
Glen Creek/Lord's Bridge	-	-
Cape Poier Building Renovations	-	4,536
	<u>\$ 351,627</u>	<u>\$ 4,536</u>
TRUST FUND:		
General Fund:		
Kittredge Fire Equipment	\$ -	\$ -
Clifford Seavey Fund	-	8
Macomber	-	8,743
	<u>\$ -</u>	<u>\$ 8,751</u>
ENTERPRISE FUND:		
General Fund:		
Sewer	\$ -	\$ 563,808
Cape Porpoise Pier	44,910	-
Dock Square Parking Lot	37,913	-
	<u>\$ 82,823</u>	<u>\$ 563,808</u>

NOTE 6- LONG-TERM DEBT

	Balance, 7/1/06	Additions	Deletions	Balance, 6/30/07	Current Portion
Bonds payable	\$ 2,713,277	\$ -	\$ (301,853)	\$ 2,411,424	\$ 304,955
Capital leases payable	68,910	-	(28,240)	40,670	30,231
Accrued compensated absences	163,210	1,629	-	164,839	-
Totals	<u>\$ 2,945,397</u>	<u>\$ 1,629</u>	<u>\$ (330,093)</u>	<u>\$ 2,616,933</u>	<u>\$ 335,186</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 6 – LONG TERM DEBT (CONTINUED):

Enterprise Fund

\$1,000,000, 2003 sewer expansion bonds with Maine Municipal Bond Bank, due in varying annual installments through 2023, interest at a rate of 8.1% to 9.1%. \$ 867,929

\$2,500,000, 1992 sewer construction bonds with Maine Municipal Bond Bank, due in annual installments of \$125,000, through 2012, Interest is at a rate of 9% to 6.75%. 750,000

\$649,000, 1997 sewer construction bonds financed with Maine Municipal Bond Bank under the Wastewater State Revolving Loan Fund, due in annual installments of \$64,900, through 2007, Interest is at a rate of 4.638%. 64,900

Total Enterprise Fund 1,682,829

General Fund

\$796,000, 2005 salt/sand shed construction bonds with Maine Municipal Bond Bank, due in varying annual installments through 2016, interest at a rate of 3.7% to 3.9%. 728,595

Total General Fund 728,595

Total Enterprise & General Fund Long Term Debt \$ 2,411,424

The following is a summary of outstanding bond principal and interest requirements for the next five fiscal years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	304,955	90,893	395,848
2009	243,130	77,774	320,904
2010	246,226	65,911	312,137
2011	249,339	53,668	303,007
2012-2016	929,223	121,362	1,050,585
2017-2021	266,411	40,164	306,575
2022-2026	172,140	11,510	183,650
	<u>\$ 2,411,424</u>	<u>\$ 461,282</u>	<u>\$ 2,872,706</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

NOTE 6 – LONG TERM DEBT (CONTINUED):

The following is a summary of outstanding capital leases payable:

The Town of Kennebunkport leases a highway truck under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in October of 2007. Annual payments are \$25,900.

The Town of Kennebunkport leases a photocopier under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2010. Annual payments are \$4,331.

Future minimum payments, by year and in the aggregate, under these leases are as follows:

2008	30,231
2009	4,331
2010	4,331
2011	4,331
Total minimum lease payments	43,224
Less: Amount representing interest	(2,554)
Present value of future minimum lease payments	<u>\$ 40,670</u>

NOTE 7 – RESERVED FUND BALANCE

Reserved for general fund designated balances	\$ 188,532
Reserved for special revenue funds	148,314
Reserved for capital project funds	351,627
Reserved for permanent funds	1,295,399
	<u>\$ 1,983,872</u>

Business-Type Activity Funds:

Reserved for special purposes - Parking Lot	\$ 15,000
	<u>\$ 15,000</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 8 – DESIGNATED FUND BALANCES – GENERAL FUND

General Fund:	
Historical Study	\$ 7,841
Bridge Repairs	49,542
Street lights	5,000
Radio reserve	5
GRB Restrooms	11,332
Cemetery	500
RSM/GIS	4,500
Sal Shed	25,789
Pier Road	5,564
No. St. Parking Lot	1,945
Fire Apparatus	40,000
GA Donations	1,843✓
Ice Skating Park	6,929✓
Backstops	3,715
Growth planning	10,000
Land Acquisition	14,027
Total General Fund	<u>\$ 188,532</u>

NOTE 9 - DEFINED BENEFITS PENSION PLAN

MAINE STATE RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine State Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, #46 State House Station, Augusta, Maine 04333.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE 9 - DEFINED BENEFITS PENSION PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLDs Consolidated Board of Trustees. The Town's police department employees are part of the PLDs special plan #2 and are required to contribute 6.5% of their annual salary, while all other employees are part of the regular plan and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 11.7% of the special plan #2 members' covered payroll and 5.8% of the regular plan members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions to the PLDs Consolidated Plan for the years ended June 30, 2007, 2006, 2005, and 2004 were \$66,067, \$36,934, \$34,414 and \$36,652, respectively, which are equal to the Town's required percentage of employees covered payroll less the Town's yearly IUUAL credit amount

NOTE 10 - CONTINGENCIES

In the normal course of operations, the Town receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 - RESTATEMENT OF NET ASSETS

The financial statements have been restated from the prior year to reflect adjustments totaling \$230,942 for fixed assets that have been restated from prior years.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund

TOWN OF KENNEBUNKPORT, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1	\$ 3,992,930	\$ 3,992,930	\$ 3,992,930	\$ -
Resources (Inflows):				
Property taxes	11,164,968	11,164,968	11,178,211	13,243
Excise taxes	863,500	863,500	901,323	37,823
Intergovernmental:				
State Revenue Sharing	175,000	175,000	143,846	(31,154)
Homestead Exemption	54,554	54,554	54,578	24
Local Road Assistance	53,000	53,000	52,356	(644)
Other Intergovernmental Revenue	13,900	13,900	25,367	11,467
Interest on Taxes	40,000	40,000	32,592	(7,408)
Interest on Investments	85,000	85,000	240,486	155,486
Charges for services	449,297	449,297	515,421	66,124
Other revenues	56,750	56,750	112,089	55,339
Transfers from other funds	260,000	260,000	260,000	-
Amounts Available for Appropriation	<u>17,208,899</u>	<u>17,208,899</u>	<u>17,509,199</u>	<u>300,300</u>
Charges to Appropriation (Outflows):				
Current				
General government	1,209,799	1,209,799	1,084,555	125,244
Public safety	1,747,663	1,747,663	1,706,098	41,565
Health and welfare	594,917	594,917	574,896	20,021
Public works	805,004	805,004	756,379	48,625
Recreation	342,756	342,756	333,176	9,580
Education	7,225,123	7,225,123	7,225,123	-
County tax	749,856	749,856	749,856	-
Outside agencies	5,970	5,970	5,970	-
Unclassified	275,605	275,605	35,847	239,758
Capital outlay	435,710	435,710	411,228	24,482
Special projects	50,000	50,000	151,254	(101,254)
Debt service:				
Principal	117,484	117,484	91,584	25,900
Interest	30,910	30,910	30,910	-
Transfers to other funds	185,172	185,172	180,632	4,540
Total Charges to Appropriations	<u>13,775,969</u>	<u>13,775,969</u>	<u>13,337,508</u>	<u>438,461</u>
Budgetary Fund Balance, June 30	<u>\$ 3,432,930</u>	<u>\$ 3,432,930</u>	<u>\$ 4,171,691</u>	<u>\$ 738,761</u>
Utilization of undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of designated fund balance	560,000	560,000	-	(560,000)
	<u>\$ 560,000</u>	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ (560,000)</u>

See accompanying independent auditors' report and notes to financial statements

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations - General Funds
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Permanent Funds
- Combining Balance Sheet - Nonmajor Enterprise Funds
- Combining Schedule of Revenues, Expenses and Changes in Fund Equity - Nonmajor Enterprise Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
General Government -						
Administration	\$ 609,510	-	\$ -	\$ 609,510	\$ 573,568	\$ 35,942
Assessing	94,785	-	-	94,785	91,486	3,299
Code Enforcement	154,126	-	-	154,126	121,173	32,953
Planning	77,347	-	-	77,347	72,521	4,826
Zoning Board	860	-	-	860	686	174
Budget Board	-	-	-	-	-	-
Conservation	750	-	-	750	665	85
Growth Planning	20,000	-	-	20,000	6,710	13,290
Legal Fees	82,500	-	-	82,500	80,760	1,740
Insurance	151,761	-	-	151,761	126,931	24,830
Community Development	18,160	-	-	18,160	10,055	8,105
	<u>1,209,799</u>	<u>-</u>	<u>-</u>	<u>1,209,799</u>	<u>1,084,555</u>	<u>125,244</u>
Public Safety -						
Police	1,074,143	-	-	1,074,143	1,083,898	(9,755)
Communications	301,599	-	-	301,599	303,727	(2,128)
Fire Department	290,428	-	-	290,428	236,457	53,971
KEMS	55,000	-	-	55,000	55,000	-
EMA	750	-	-	750	571	179
Animal Control	11,462	-	-	11,462	12,166	(704)
Harbor Master	14,281	-	-	14,281	14,279	2
Piers, Rivers and Harbor	-	-	-	-	-	-
Grants	-	-	-	-	-	-
	<u>1,747,663</u>	<u>-</u>	<u>-</u>	<u>1,747,663</u>	<u>1,706,098</u>	<u>41,565</u>
Health & Welfare -						
Solid Waste	371,258	-	-	371,258	356,593	14,665
Health Department	136,301	-	-	136,301	123,157	13,144
Welfare	3,200	-	-	3,200	7,699	(4,499)
Social Service	15,869	-	-	15,869	15,869	-
Youth Aid Service	21,643	-	-	21,643	21,643	-
Shelfish Cons	646	-	-	646	646	-
HB-H20 Quality	30,000	-	-	30,000	28,184	1,816
Public Restrooms	16,000	-	-	16,000	16,000	-
General Assistance	-	-	-	-	5,105	(5,105)
	<u>594,917</u>	<u>-</u>	<u>-</u>	<u>594,917</u>	<u>574,896</u>	<u>20,021</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Public Works -						
Highway Department	514,607	-	-	514,607	478,008	36,599
Mechanic Department	86,525	-	-	86,525	82,499	4,026
Utilities	159,525	-	-	159,525	155,521	4,004
Conservation Shade Tree	30,538	-	-	30,538	30,538	-
Town Forest	250	-	-	250	-	250
Cemetery	13,559	-	-	13,559	9,813	3,746
	<u>805,004</u>	<u>-</u>	<u>-</u>	<u>805,004</u>	<u>756,379</u>	<u>48,625</u>
Recreation & Culture -						
Recreation	236,256	-	-	236,256	227,476	8,780
Louis Graves Mem Library	93,000	-	-	93,000	93,000	-
Cape Popois Comm Library	10,500	-	-	10,500	10,500	-
Parsons Way	3,000	-	-	3,000	2,200	800
	<u>342,756</u>	<u>-</u>	<u>-</u>	<u>342,756</u>	<u>333,176</u>	<u>9,580</u>
Misc. Agency -	5,970	-	-	5,970	5,970	-
Capital Outlay -						
Administration	7,500	-	-	7,500	6,697	803
Police	50,550	-	-	50,550	51,101	(551)
Communications	26,000	-	-	26,000	28,874	(2,874)
Fire Department	169,175	-	-	169,175	142,071	27,104
Highway Department	20,000	-	-	20,000	20,000	-
Road Improvement	133,895	-	-	133,895	133,895	-
Sidewalk Improvement	15,090	-	-	15,090	15,090	-
Piers, Rivers and Harbors	13,500	-	-	13,500	13,500	-
	<u>435,710</u>	<u>-</u>	<u>-</u>	<u>435,710</u>	<u>411,228</u>	<u>24,482</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Debt Service -						
05 MMA Bond (Principal)	67,405	-	-	67,405	67,405	-
05 MMA Bond (Interest)	29,189	-	-	29,189	29,189	-
2003 Highway Truck (Principal)	24,179	-	-	24,179	24,179	-
2004 Highway Truck (Principal)	25,900	-	-	25,900	-	25,900
2003 Highway Truck (Interest)	1,721	-	-	1,721	1,721	-
2004 Highway Truck (Interest)	-	-	-	-	-	-
	<u>148,394</u>	<u>-</u>	<u>-</u>	<u>148,394</u>	<u>122,494</u>	<u>25,900</u>
Special Projects -						
Salt Shed	-	-	-	-	10,735	(10,735)
Pier Road	-	-	50,000	50,000	119,583	(69,583)
Land Acquisition	-	-	-	-	20,936	(20,936)
	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>151,254</u>	<u>(101,254)</u>
Assessments -						
Education	7,225,123	-	-	7,225,123	7,225,123	-
County	749,856	-	-	749,856	749,856	-
	<u>7,974,979</u>	<u>-</u>	<u>-</u>	<u>7,974,979</u>	<u>7,974,979</u>	<u>-</u>
Unclassified -						
Contingency	38,000	-	-	38,000	13,785	24,215
Fuel Contingency	3,000	-	-	3,000	-	3,000
Fire department apparatus	-	-	20,000	20,000	-	20,000
Street Light	-	-	5,000	5,000	-	5,000
Porta-potty Goose Rocks Beach	-	-	10,000	10,000	-	10,000
Ice Skating	-	-	-	-	11,011	(11,011)
GRB Restroom	-	-	-	-	6,154	(6,154)
Police grant	-	4,897	-	4,897	4,897	-
Overlay	-	-	-	-	-	-
Employee Settlement	-	-	-	-	-	-
RSM/GIS	-	-	-	-	-	-
Overlay	194,708	-	-	194,708	-	194,708
Bridges/Roads	-	-	-	-	-	-
	<u>235,708</u>	<u>4,897</u>	<u>35,000</u>	<u>275,605</u>	<u>35,847</u>	<u>239,758</u>
Totals	<u>\$13,500,900</u>	<u>\$ 4,897</u>	<u>\$ 85,000</u>	<u>\$13,590,797</u>	<u>\$13,156,876</u>	<u>\$ 433,921</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ -	\$ -	\$ 708,688	\$ 708,688
Investments	-	-	595,617	595,617
Due from other funds	153,207	351,627	-	504,834
Total assets	<u>\$ 153,207</u>	<u>\$ 351,627</u>	<u>\$ 1,304,305</u>	<u>\$ 1,809,139</u>
LIABILITIES				
Accounts Payable	\$ 4,893	\$ -	\$ 155	\$ 5,048
Due to other funds	114,801	4,536	8,751	128,088
Total liabilities	<u>119,694</u>	<u>4,536</u>	<u>8,906</u>	<u>133,136</u>
FUND EQUITY				
Fund balance	-	-	-	-
Reserved for endowments	-	-	-	-
Unreserved	-	-	-	-
Designated for subsequent years' expenditures	148,314	351,627	1,295,399	1,795,340
Undesignated	(114,801)	(4,536)	-	(119,337)
Total fund equity	<u>33,513</u>	<u>347,091</u>	<u>1,295,399</u>	<u>1,676,003</u>
Total liabilities and fund equity	<u>\$ 153,207</u>	<u>\$ 351,627</u>	<u>\$ 1,304,305</u>	<u>\$ 1,809,139</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE C

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES	<u>\$ 15,457</u>	<u>\$ -</u>	<u>\$ 101,964</u>	<u>\$ 117,421</u>
EXPENDITURES	<u>124,577</u>	<u>-</u>	<u>36,416</u>	<u>160,993</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,120)	-	65,548	(43,572)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>(2,482)</u>	<u>-</u>	<u>-</u>	<u>(2,482)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,482)</u>	<u>-</u>	<u>-</u>	<u>(2,482)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(111,602)	-	65,548	(46,054)
FUND BALANCE, JULY 1	<u>145,115</u>	<u>347,091</u>	<u>1,229,851</u>	<u>1,722,057</u>
FUND BALANCE, JUNE 30	<u><u>\$ 33,513</u></u>	<u><u>\$ 347,091</u></u>	<u><u>\$ 1,295,399</u></u>	<u><u>\$ 1,676,003</u></u>

See accompanying independent auditors' report and notes to financial statements

Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE D

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	RHS Plan	Total
ASSETS						
Due from other funds	\$ 13,729	\$ 117,549	\$ 20,686	\$ 1,243	\$ -	\$ 153,207
Total assets	<u>\$ 13,729</u>	<u>\$ 117,549</u>	<u>\$ 20,686</u>	<u>\$ 1,243</u>	<u>\$ -</u>	<u>\$ 153,207</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ 4,893	\$ -	\$ -	\$ -	\$ 4,893
Due to other funds	-	-	-	-	114,801	114,801
Total liabilities	<u>-</u>	<u>4,893</u>	<u>-</u>	<u>-</u>	<u>114,801</u>	<u>119,694</u>
FUND EQUITY						
Fund balance:						
Unreserved						
Designated for subsequent years' expenditures	13,729	112,656	20,686	1,243	-	148,314
Undesignated	-	-	-	-	(114,801)	(114,801)
Total fund equity	<u>13,729</u>	<u>112,656</u>	<u>20,686</u>	<u>1,243</u>	<u>(114,801)</u>	<u>33,513</u>
Total liabilities and fund equity	<u>\$ 13,729</u>	<u>\$ 117,549</u>	<u>\$ 20,686</u>	<u>\$ 1,243</u>	<u>\$ -</u>	<u>\$ 153,207</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE E

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 - NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007.

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	RHS Plan	Total
REVENUES	\$ -	\$ 14,828	\$ -	\$ 629	\$ -	\$ 15,457
EXPENDITURES	-	48	9,728	-	114,801	124,577
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	14,780	(9,728)	629	(114,801)	(109,120)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	(2,482)	-	-	-	(2,482)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,482)	-	-	-	(2,482)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	12,298	(9,728)	629	(114,801)	(111,602)
FUND BALANCE, JULY 1	13,729	100,358	30,414	614	-	145,115
FUND BALANCE, JUNE 30	\$ 13,729	\$ 112,656	\$ 20,686	\$ 1,243	\$ (114,801)	\$ 33,513

See accompanying independent auditors' report and notes to financial statements

Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2007

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
ASSETS						
Due from other funds	\$342,673	\$ 2,072	\$ 4,295	\$2,587	\$ -	\$351,627
Total assets	<u>\$342,673</u>	<u>\$ 2,072</u>	<u>\$ 4,295</u>	<u>\$2,587</u>	<u>\$ -</u>	<u>\$351,627</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	4,536	4,536
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,536</u>	<u>4,536</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	342,673	2,072	4,295	2,587	-	351,627
Undesignated	-	-	-	-	(4,536)	(4,536)
Total fund equity	<u>342,673</u>	<u>2,072</u>	<u>4,295</u>	<u>2,587</u>	<u>(4,536)</u>	<u>347,091</u>
Total liabilities and fund equity	<u>\$342,673</u>	<u>\$ 2,072</u>	<u>\$ 4,295</u>	<u>\$2,587</u>	<u>\$ -</u>	<u>\$351,627</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE G

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED JUNE 30, 2007

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	-	-	-	-
FUND BALANCE, JULY 1	342,673	2,072	4,295	2,587	(4,536)	347,091
FUND BALANCE, JUNE 30	\$ 342,673	\$ 2,072	\$ 4,295	\$ 2,587	\$ (4,536)	\$ 347,091

See accompanying independent auditors' report and notes to financial statements

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kennebunkport, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

SCHEDULE H

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2007

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
ASSETS				
Cash	\$ 692,603	\$ 16,085	\$ -	\$ 708,688
Investments	-	568,859	26,758	595,617
Total assets	<u>\$ 692,603</u>	<u>\$ 584,944</u>	<u>\$ 26,758</u>	<u>\$ 1,304,305</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to other funds	\$ -	\$ 8	\$ 8,743	\$ 8,751
Accounts Payable	-	-	155	155
Total liabilities	<u>-</u>	<u>8</u>	<u>8,898</u>	<u>8,906</u>
FUND EQUITY				
Fund balance				
Unreserved			17,860	1,295,399
Designated for subsequent years' expenditures	692,603	584,936	-	-
Undesignated	-	-	-	-
Total fund equity	<u>692,603</u>	<u>584,936</u>	<u>17,860</u>	<u>1,295,399</u>
Total liabilities and fund equity	<u>\$ 692,603</u>	<u>\$ 584,944</u>	<u>\$ 26,758</u>	<u>\$ 1,304,305</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE H

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR
 PERMANENT FUNDS
 YEAR ENDED JUNE 30, 2007

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
REVENUES				
Investment income	\$ 22,515	\$ 77,534	\$ 1,915	\$ 101,964
Total revenues	<u>22,515</u>	<u>77,534</u>	<u>1,915</u>	<u>101,964</u>
EXPENDITURES				
Scholarships	-	-	-	-
Other	28,683	4,422	3,311	36,416
Total expenditures	<u>28,683</u>	<u>4,422</u>	<u>3,311</u>	<u>36,416</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,168)	73,112	(1,396)	65,548
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,168)	73,112	(1,396)	65,548
FUND BALANCE, JULY 1	698,771	511,824	19,256	1,229,851
FUND BALANCE, JUNE 30	<u>\$ 692,603</u>	<u>\$ 584,936</u>	<u>\$ 17,860</u>	<u>\$ 1,295,399</u>

See accompanying independent auditors' report and notes to financial statements

Nonmajor Enterprise Funds

Enterprise funds are used to account for the Town of Kennebunkport, Maine's self-sustaining funds independent of the General Fund. These funds are for the Cape Porpoise Pier and Dock Square Parking Lot.

1. Cape Porpoise Pier - Funds earmarked for the provision of the pier.
2. Dock Square Parking Lot - Funds earmarked for the provision of the parking lot.

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2007

	Cape Porpoise Pier	Dock Square Parking Lot	Total
ASSETS			
Current assets			
Cash	\$ 100	\$ 200	\$ 300
Accounts receivable	175	38,070	38,245
Inventory	10,194	-	10,194
Due from other funds	44,910	37,913	82,823
Total current assets	<u>55,379</u>	<u>76,183</u>	<u>131,562</u>
Noncurrent assets			
Land and buildings	1,307,678	29,600	1,337,278
Vehicles and equipment	103,375	12,160	115,535
Infrastructure	2,428	-	2,428
Total capital assets	<u>1,413,481</u>	<u>41,760</u>	<u>1,455,241</u>
Less: accumulated depreciation	<u>(372,506)</u>	<u>(30,816)</u>	<u>(403,322)</u>
Net capital assets	<u>1,040,975</u>	<u>10,944</u>	<u>1,051,919</u>
Total assets	<u>\$ 1,096,354</u>	<u>\$ 87,127</u>	<u>\$ 1,183,481</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 9,464	\$ 117	\$ 9,581
Wages payable	820	1,596	2,416
Due to other funds	-	-	-
Total liabilities	<u>10,284</u>	<u>1,713</u>	<u>11,997</u>
NET ASSETS			
Net Assets			
Investment in capital assets, net of related debt	1,040,975	10,944	1,051,919
Restricted	-	15,000	15,000
Unrestricted	45,095	59,470	104,565
Total net assets	<u>1,086,070</u>	<u>85,414</u>	<u>1,171,484</u>
Total liabilities and net assets	<u>\$ 1,096,354</u>	<u>\$ 87,127</u>	<u>\$ 1,183,481</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
ASSETS
- NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2007

	Cape Porpoise Pier	Dock Square Parking Lot	Total
OPERATING REVENUES			
Lease income	\$ 22,503	\$ -	\$ 22,503
Fuel sales	178,119	-	178,119
Fees	35,304	277,382	312,686
Other revenue	-	38,270	38,270
Total operating revenues	<u>235,926</u>	<u>315,652</u>	<u>551,578</u>
OPERATING EXPENSES			
Salaries / wages	35,672	34,861	70,533
Payroll taxes / benefits	12,244	2,667	14,911
Depreciation / amortization	28,708	1,216	29,924
Cost of fuel	164,741	-	164,741
Supplies	710	4,263	4,973
Maintenance	3,753	-	3,753
Diesel Tax	6,200	-	6,200
Telephone / utilities	8,294	1,589	9,883
Other operating expenses	3,651	458	4,109
Total operating expenses	<u>263,973</u>	<u>45,054</u>	<u>309,027</u>
Operating income (loss)	(28,047)	270,598	242,551
NON-OPERATING REVENUE			
Interest income	-	-	-
Interest expense	-	-	-
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(28,047)	270,598	242,551
OTHER FINANCING SOURCES (USES)			
Operating transfer in	2,482	-	2,482
Operating transfer out	-	(235,000)	(235,000)
Total other financing sources (uses)	<u>2,482</u>	<u>(235,000)</u>	<u>(232,518)</u>
Excess of revenues over (under) other financing sources (uses)	(25,565)	35,598	10,033
NET ASSETS - JULY 1	<u>1,111,635</u>	<u>49,816</u>	<u>1,161,451</u>
NET ASSETS - JUNE 30	<u>\$ 1,086,070</u>	<u>\$ 85,414</u>	<u>\$ 1,171,484</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE L

TOWN OF KENNEBUNKPORT, MAINE

COMBINING CASH FLOW STATEMENT – NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2007

	Cape Porpoise	Dock Square Parking Lot	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 199,263	\$ 290,971	\$ 490,234
Internal activity - receipts (payments) from/to other funds	-	-	-
Other receipts	34,355	-	34,355
Payments to suppliers and employees	(227,524)	(43,611)	(271,135)
Net cash provide by operating activities	<u>6,094</u>	<u>247,360</u>	<u>253,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(8,576)	(12,160)	(20,736)
Investment income	-	-	-
Net cash used by investing activities	<u>(8,576)</u>	<u>(12,160)</u>	<u>(20,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Other internal due to / from activity	-	-	-
Operating transfers	2,482	(235,000)	(232,518)
Net cash used by investing activities	<u>2,482</u>	<u>(235,000)</u>	<u>(232,518)</u>
NET INCREASE (DECREASE) IN CASH	<u>-</u>	<u>200</u>	<u>200</u>
CASH - JULY 1	<u>100</u>	<u>-</u>	<u>100</u>
CASH - JUNE 30	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 300</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACT			
Operating income (loss)	\$ (28,047)	\$ 270,598	\$ 242,551
Adjustmets to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation & amortization expense	28,708	1,216	29,924
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	6,419	(36,335)	(29,916)
(Increase) decrease in due from other funds	(9,460)	11,654	2,194
(Increase) decrease in inventory	733	-	733
(Decrease) increase in accounts payable	7,645	38	7,683
(Decrease) increase in accrued expenses	96	189	285
Net cash provided (used) by operating activities	<u>\$ 6,094</u>	<u>\$ 247,360</u>	<u>\$ 253,454</u>

See accompanying independent auditors' report and notes to financial statements

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

SCHEDULE M

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CAPITAL ASSETS BY FUNCTION
JUNE 30, 2007

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 120,300	\$ 305,887	\$ 92,539	\$ -	\$ 518,726
Police	49,100	420,000	540,747	-	1,009,847
Fire	239,900	844,250	2,329,676	-	3,413,826
Highway	731,578	316,564	1,074,602	2,114,009	4,236,753
Public health	-	-	15,340	-	15,340
Parks & recreation	176,500	172,911	65,995	-	415,406
Pier	522,600	785,078	103,375	2,428	1,413,481
Sewer	495,781	5,472,570	2,579,965	7,703,811	16,252,127
Dock Square parking lot	-	29,600	12,160	-	41,760
Town-wide	1,749,737	35,477	58,866	764,100	2,608,180
Total General Capital Assets	4,085,496	8,382,337	6,873,265	10,584,348	29,925,446
Less: Accumulated Depreciation	-	(3,188,581)	(3,879,563)	(3,534,697)	(10,602,841)
Net General Capital Assets	\$ 4,085,496	\$ 5,193,756	\$ 2,993,702	\$ 7,049,651	\$ 19,322,605

See accompanying independent auditors' report and notes to financial statements

SCHEDULE N

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
YEAR ENDED JUNE 30, 2007

	Capital Assets 7/1/06	Additions	Deletions	Capital Assets 6/30/07
Administration	\$ 516,954	\$ 1,772	\$ -	\$ 518,726
Police	998,805	71,754	(60,712)	1,009,847
Fire	3,409,108	4,718	-	3,413,826
Highway	4,216,317	20,436	-	4,236,753
Public health	15,340	-	-	15,340
Parks & recreation	404,395	11,011	-	415,406
Pier	1,404,905	8,576	-	1,413,481
Sewer	16,247,117	5,010	-	16,252,127
Dock Square parking lot	51,000	12,160	(21,400)	41,760
Town-wide	2,339,835	310,045	(41,700)	2,608,180
Total General Capital Assets	29,603,776	445,482	(123,812)	29,925,446
Less: Accumulated Depreciation	(9,978,759)	(747,490)	123,408	(10,602,841)
Net General Capital Assets	\$ 19,625,017	\$ (302,008)	\$ (404)	\$ 19,322,605

See accompanying independent auditors' report and notes to financial statements

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